GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3121
ANSWERED ON:22.03.2002
NORMS FOR MARGIN TRADING
SUDARSANA E.M. NATCHIAPPAN

Will the Minister of FINANCE be pleased to state:

(a) whether the Government intend to liberalise norms pertaining to margin trading and strengthen the Securities and Exchange Board of India to faciliate easy functioning of the capital market; and

(b) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) and (b): Reserve Bank of India (RBI) has intimated thatbased on the recommendations of the RBI-SEBI Technical Committeejt was decided on an experimental basis, to permit banks to extend finance to stockbrokers for margin trading within the overall ceiling of 5% prescribed for their exposure to capital markets in RBI`s earlier circular of May 11, 2001.Banks were accordingly advised that they could provide finance to brokers for margin trading in actively traded scrips forming part of the NSE Nifty and the BSE Sensex, subject to certain guidelines. These guidelines, inter-alia, cover minimum margin on such lending, monitoring of margin and end-use of funds, safeguards against concentration of such bank credit with some stockbrokers, disclosure of total financing in this regard in balance sheets. These guidelines were reviewed in November, 2001 and it was decided to continue the scheme. It was also decided that RBI-SEBI Technical Committee would again review the Guidelines in June, 2002.